LAND AND WATER BRITISH COLUMBIA INC.

A Corporation of the Government of British Columbia

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Message from the Minister

I am pleased to present the 2003/04 - 2005/06 Service Plan for Land and Water British Columbia Inc.

Land and Water British Columbia Inc. (LWBC) is responsible, on behalf of the public, for optimizing two of our most valuable provincial assets: Crown land and water. These assets account for 92 percent of the provincial land base and the water resources and offer us significant opportunities to contribute to the economic, social and cultural well being of British Columbians.

The strategic shifts for the Corporation include: a greater focus on economic development and the generation of wealth and revenue; expanding the benefits from strategic disposition of Crown land; and expanded partnerships and collaborative work with the private sector, First Nations and local governments. The development of Crown land and water resources presents a significant opportunity to stimulate and diversify British Columbia's weakened rural and coastal economies.

Land and Water BC expects to achieve its mission through the realization of four major goals:

1. To contribute to economic development and job creation through increased sales of Crown land that maximize investment in British Columbia.
2. To optimize access to Crown land and water resources by providing timely decisions and a focus on customer responsiveness.
3. To improve revenue generation and fair return on land and water resources.
4. To be a high performing organization that is consistently able to meet or exceed rigorous financial and operational targets.

To ensure it is achieving these goals, the Corporation has set clear, measurable performance targets.

I am committed to, and personally accountable for, achieving the goals, objectives, and strategies outlined in this Service Plan and look forward to reporting to British Columbians on our success.

Yours truly,

Stanley B. Hagen
Minister

Message from the President & CEO

Land and Water British Columbia Inc. (LWBC) has made a commitment to Government to directly contribute to economic development through proactive and aggressive access to Crown land and water resources. This Service Plan reflects Government's strategic priorities and objectives, including specific emphasis on projects and activities that will create wealth and provide economic development across British Columbia. LWBC will achieve its goals by successfully meeting the performance targets outlined in this plan, and by carrying out the following strategies:

- Develop a comprehensive marketing strategy and investment plan that targets specific sectors in order to optimize economic development activity
- Ensure a fair return and improve revenue by minimizing unauthorized use of provincial land and water resources and improving revenue collection and financial management
- Improve speed of responsiveness and better cycle time in order to optimize access to Crown land and water resources
- Develop a strong human resource management system that supports the organization and its plan for aggressive financial and operational targets

In the next three years, LWBC will continue to demonstrate an innovative approach in doing business and to continually seek ways to improve our client service. The key strategic direction in this Service Plan is aimed at facilitating economic development and job creation by increasing access to Crown land and water resources. This will be done primarily through continuous improvement of client service processes. We have already achieved substantial progress in increasing access by reducing the backlog of tenures, imposing rigorous new performance standards and working to eliminate the backlog of water licence applications. This plan represents the next major step forward.

Since 1996, LWBC has contributed $150 million to Government through dividends earned from land tenure management and land disposition. By the end of fiscal 2005/06, we expect those dividends to have reached a cumulative total of approximately $425 million. This is an impressive accomplishment for LWBC, a relatively small Crown corporation.

This Service Plan provides a continuing level of measurable accountability, and the executive and staff of LWBC look forward to reporting to the Legislative Assembly on our progress in meeting our goals and targets.

Sincerely,

Bill Valentine
President and Chief Executive Officer

Corporate Overview

Land and Water British Columbia Inc. is incorporated under the *Company Act* of British Columbia. The Shareholder is the Province of British Columbia with the Minister of Sustainable Resource Management holding the sole issued share on behalf of the Province. The Minister appoints a Board of Directors, comprising several Deputy Ministers and the President and Chief Executive Officer of LWBC.

As a Crown Corporation, LWBC operates as an agent of government to carry out activities such as issuing land tenures, allocation and disposition of surplus land, and the administration and licensing of Crown water resources. As part of water management, the Corporation is responsible for regulating approximately 2,700 licensed dams in the province.

LWBC is governed by a Delegation Agreement with the Minister of Sustainable Resource Management and by the following acts and agreements:

- *Land Act*
- *University Endowment Land Act*
- *Ministry of Lands, Parks and Housing Act*
- *Water Act*
- *Water Utilities Act*
- *Public Service Act*
- First Nations Consultation Guidelines
- BC Government Employee's Union and the Professional Employee's Association

These acts and agreements establish the legal framework and principles by which LWBC operates, including the method of accounting, staffing and reporting requirements. Revenues generated through its business activities fund the Corporation.

In addition to focussing our activities on accelerating economic development in key sectors, the Corporation is committed to reducing the regulatory burden and providing a more streamlined business approach in order to achieve improved investor confidence and productivity growth. While improving client service and revenues to expenditures, the Corporation will become increasingly more efficient.

Scope of Operations

Governance and Management Structure

Core Lines of Business

Integrated Land and Water Tenure Management	Accelerated Land Development and Sales
▪ Improving certainty of access to and benefits from the use of land and water resources ▪ Managing 30,000 land tenures and 43,000 water licences	▪ Building and matching inventory to market needs ▪ Aggressively identifying marketable properties and development opportunities

Revenue Generation

Enhanced Economic Activity and Job Creation

Regional Structure

The Corporation's headquarters is located in Victoria, B.C. Services are provided across the province from four major service centres located in Kamloops, Nanaimo, Prince George and Surrey, and field offices located in Cranbrook, Fort St. John, Smithers and Williams Lake.

Strategic Context

This Service Plan is closely linked to the Provincial Strategic Plan and outlines how LWBC will assist in implementing Government's future vision for British Columbia. Following the change in provincial administration in 2001 and the release of the New Era document, LWBC continues to focus on achieving Government's commitments:

- Increase access to Crown land and water resources
- Ensure effective and sustainable use of the provincial land base
- Create economic growth in a sustainable, balanced manner
- Grow a thriving private sector economy
- Provide faster approvals and greater access to Crown land to create jobs
- Eliminate backlog and delays in Crown land applications
- Optimize the financial return from the use of Crown land.

Through this focus and the resulting shift in Government's priorities announced after the Core Review process, LWBC adopted a new mandate that emphasized:

- Creating wealth for British Columbians through support of sustainable development and regional diversification
- Optimizing a fair return to Government for the use of its land and water resources
- Improving service accountability through transparency and improved land tenure and water licence application processes.

Our Vision Statement

Facilitate economic development, job creation and revenue generation by aggressively pursuing and encouraging investment and optimal use of Crown land and water resources

Our Mission Statement

Provide highly responsive access to Crown land and water resources through tenures, licences and land sales

Achieving our vision and mission requires us to take the following actions:

- Being proactive in providing timely access to Crown resources in order to attract and facilitate investor confidence.
- Provide excellent client service to the business, development and real estate communities.
- Act as a responsible corporate citizen, linking sustainability with economic prosperity.
- Strive to be seen as a highly efficient, professional and credible organization by our clients and staff.

Our Values

1. **Accountability – delivering on our commitments**
   - Focusing on outcomes by taking responsibility for measuring and monitoring our performance against commitments and targets

2. **High quality client service**
   - Providing professional and responsive client service at all times
   - Continuously improve our service so that clients will realize direct and tangible benefits

3. **Innovative solutions**
   - Pursuing innovative approaches to promote investor confidence and long-term business success

4. **Integrity**
   - Conducting business with our customers and staff in an environment that is honest, transparent and professional

5. **Efficiency**
   - Continuously improve our operational efficiency and cost-effectiveness

Planning Context

Assumptions

- Improving access to Crown land and water is a key economic driver.
- The public and the business community want a more open, accountable and transparent Crown land and water allocation process.
- British Columbia does not have unlimited time to position itself as a "place to invest" – there is a requirement for immediate responsiveness and a proactive plan of action; speed is essential to have impact.
- Innovation will be used to pursue First Nations' partnerships with the private sector that provide mutual benefits and increase British Columbia's reputation as a "place for investment".
- There will continue to be ongoing challenges in balancing the need to optimize economic development activity with environmental, social and First Nations' concerns.
- Crown land has potential to generate substantial new economic investment and revenue.
- Ensuring that suitable Crown land and water are available to facilitate economic development will require an upfront investment to maximize the net potential.
- Land values in British Columbia are stable or increasing during the next three years.

Key Challenges

Development and Real Estate Markets

Many Crown land properties in the existing portfolio are not attractive to investors. Our challenge is to respond to new opportunities by being more innovative in "bundling properties", proactively identifying new market opportunities, providing financial incentives and innovations and pursuing new sales channels to attract investment.

Investor Confidence

The main requirements to instil investor confidence are: reliability, certainty and ease of access. The Corporation is taking an active role to meet these requirements, working with our clients, the public and First Nations to determine how common interests can be met.

Competition for Investment Dollars

Promoting a positive climate for economic investment is subject to many influences. All provinces and communities in Canada are looking to increase economic development and wealth creation. British Columbia has to ensure that it is leading and not lagging in strategies that will ensure the Province can successfully compete for investment capital. The public and investors expect "ease of doing business" and seamless service.

Sustainability and Its Relation to Economic Development

The Corporation and Government recognize that increasing access and development of Crown land and water needs to be done in an open and transparent manner. Decisions related to Crown assets are all subject to public review. The Corporation recognizes the importance of maintaining public confidence and trust in conducting its business. The activities of the Corporation are undertaken within the Province's sustainability principles.

Operating Model

The mandate and operating model of LWBC are based on a funding formula which permits the Corporation to retain a percentage of revenue from Crown land sales and management activities. We are currently moving to a funding model that retains a portion of land and water revenues as we fully integrate the water and land programs. The Corporation will face some challenges as it fully integrates the two programs. The future will see integrated applications, accounting practices and revenue systems and will move the program toward cost recovery.

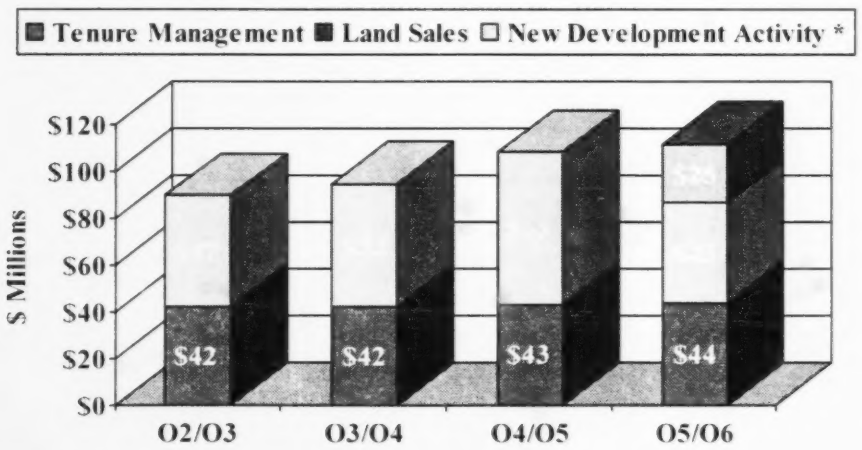
Market Development Potential

An aggressive marketing and development plan will guide the activities of the land tenure and sales programs. The key challenge for the Corporation is to fully realize the untapped market potential of land to facilitate economic development. This will be accomplished by developing clear "criteria and conditions" to facilitate decision-making.

Crown Land Disposition/Sales

Our disposition team regularly reviews all assets in the portfolio to evaluate the priorities for disposition/sale. The disposal of land is pursued as a means to generate the highest financial return. LWBC makes investments in site planning and limited property development only where those investments enhance the value of the land, expedite disposal or promote Government's overall objectives and ensure that the Corporation recovers the optimum value from public land. Activities undertaken to increase the use and value of assets will be based on financial measures that can demonstrate a positive financial return after consideration of the incremental investment in time and money. We will regularly review marketing strategies and evaluate assumptions used in formulating and updating financial and economic benefits of sales activities.

Forecast of Projected Revenues by Source



* Land sales revenue projected for 05/06 is based on existing inventory. In order to optimize revenue generation, new investment will be required. We are currently developing innovative business approaches that will provide the tools necessary to build inventory and increase land sale revenue for 05/06. Target revenues subject to approval of a new business case are shown above as 'new development activity'.

Goals, Objectives, Strategies and Performance Measures

Land and Water British Columbia Inc. has four goals for the period 03/04 to 05/06. These goals are:

1. To contribute to economic development and job creation through increased sales of Crown land that maximize investment in British Columbia
2. To optimize access to Crown land and water resources by providing timely decisions and a focus on customer responsiveness
3. To improve revenue generation and fair return on land and water resources
4. To be a high performing organization that is consistently able to meet or exceed rigorous financial and operational targets

The following are the supporting objectives, strategies and performance measures for each goal:

Goal #1

To contribute to economic development and job creation through increased sales of Crown land that maximize investment in British Columbia

Objectives

- Support economic development activity with key sectors and partners: independent power production, First Nations, oil and gas, tourism, resort development and aquaculture.
- Enhance access to both tenures and sales of Crown land and water resources through continuous improvement of business processes and client service.
- Identify and build inventory that promotes economic development and sustains corporate revenues.

Strategies

- Develop and implement a targeted marketing, product and sales strategy that will yield maximum return on investment. LWBC will:
  - Evaluate all Crown land in the province to identify and develop an inventory of the most saleable properties over the short and long term
  - Develop and implement a comprehensive and aggressive multi-year marketing strategy for "most saleable lands" focused on recruiting private sector interest and investment in Crown land
  - Implement a strategy to enhance the marketability of "less saleable lands"
- Develop partnerships with First Nations that directly benefit First Nations and improve the confidence in British Columbia as an investment province.

Performance Measures

Measures	Targets 2003/04	2004/05	2005/06
Revenue growth generated by Crown land sales	$52.5 million	$65 million	$42.5million [a]
Post sales customer satisfaction as measured annually	Establish baseline	Target 10% improvement	Target incremental 10% improvement
Impact on economic development - capital investment [b]	$0.73 billion	$1.25 billion	$0.74 billion
Impact on economic development – permanent jobs [b]	2,400	3,700	2,400
Impact on economic development – construction jobs [b]	5,500	9,400	5,500

[a] Land sales revenue projected for 05/06 is based on existing inventory. In order to optimize revenue generation, new investment will be required. We are currently developing innovative business approaches that will provide the tools necessary to build inventory and increase land sale revenue for 05/06.

[b] Measurement tool provided by BC Stats

Goal # 2

To optimize access to Crown land and water resources by providing timely decisions and a focus on customer responsiveness

Objectives

- Process all land tenure replacements in advance of expiry
- Eliminate backlog of water licence applications
- Make it easy to do business with LWBC
- Build a customer service organization that is responsive to customer needs

Strategies

- Adopt a continuous customer service improvement strategy
- Enhance access through streamlined efficient processes aimed at client satisfaction
- Improve internal processes to optimize responsiveness, reduce cycle time and improve service levels
- Develop all processes with the customer in mind

Measures	Targets 2003/04	2004/05	2005/06
Processing Efficiency: Process 90% of land and water tenures within 140 days	100% of the time	100% of the time	100% of the time
Customer satisfaction as measured annually with land tenure holders, water licence holders and the business and commercial development community	Establish baseline; & 60% response rate	10% satisfaction improvement & 70% response rate	10% satisfaction improvement & 75% response rate

Goal # 3

To improve revenue generation and fair return on land and water resources.

Objectives

- Improve financial management and administration of tenures and licences
- Minimize unauthorized use of Crown land and water resources through innovative enforcement activities

Strategies

- Implement an effective compliance and enforcement strategy that ensures fair return and reduces untenured users
- Improve revenue collection and accounts receivable processes, streamline and further automate for ease of access (direct payment at chartered banks); consolidate billing processes and implement better financial controls
- Develop systemic solutions to the water licence revenue processing backlog

Performance Measures

Measures	Targets 2003/04	2004/05	2005/06
Growth in revenues from land tenure management	$40 million	$41 million	$42 million
Minimizing number of trespasses to increase revenue	50% reduction in unauthorized commercial recreation use	10% reduction in overall trespass activity	20% reduction in overall trespass activity
Improved collection activity	90% of new rents collected in 90 days	93% of new rents collected in 90 days	95% of new rents collected in 90 days
Reduction of overdue accounts	10% reduction in overdue accounts receivable	20% reduction in overdue accounts receivable	30% reduction in overdue accounts receivable
Percentage improvement of backlog water amendment applications eliminated	30% eliminated	60% eliminated	90% eliminated

Goal #4

To be a high performing organization that is consistently able to meet or exceed rigorous financial and operational targets.

Objectives

- Create a results-focused working environment where staff and managers understand the sales and revenue business model and the overall goals and objectives of the organization
- Improve employee satisfaction
- Develop a values-driven culture that puts customers first and helps staff and managers work collaboratively to achieve corporate results
- Attract and retain the right people who are energized by working in a high performance organization

Strategies

- Develop an appropriate human resource management system: staff development, succession and workforce planning, and a culture transition strategy that will ensure the right mix of people and competencies are directed at overall corporate success
- Create rewards and recognition program
- Develop a comprehensive description of the corporate strategic plan, vision and values that is communicated to all staff. Make expectations clear and direct on how staff can contribute to realizing the corporate goals and objectives

Performance Measures

Measures	Targets 2003/04	2004/05	2005/06
Employee engagement and commitment survey	Establish baseline	5% improvement	10% improvement
Capability and capacity; assessment of key management positions against new competencies	Development of competencies	100% of target positions assessed	Improved capability & capacity as measured by Executive

Financial Outlook Summary

($000)	2002/03 (interim forecast)	2003/04 (budget)	2004/05 (forecast)	2005/06 (forecast)
Gross Revenues				
Tenure revenue	31,771	31,855	32,493	33,143
Royalty revenue	9,091	9,347	9,535	9,725
Land sales	47,313	52,500	65,000	42,500[b]
Water – Non-Power[a]	0	6,400	6,400	6,400
Water - Power[a]	0	16,076	14,815	14,669
Other	1,379	1,000	1,000	1,000
Total Revenues	**89,554**	**117,178**	**129,243**	**107,437**
Transfer to Province[c]	**64,545**	**82,387**	**93,393**	**75,245**
LWBC Net Revenues	**21,821**	**31,620**	**31,950**	**29,642**
Operating Expenses				
Salaries/benefits	21,381	20,800	19,800	19,200
Facilities	2,235	2,350	2,200	2,100
Systems	1,910	2,050	1,900	1,900
Land-use planning	462	0	0	0
Consulting	1,145	1,300	1,300	1,100
Administration/other	3,678	4,600	4,500	4,200
Recoveries[d]	(8,365)			
Total Expenses	**22,446**	**31,100**	**29,700**	**28,500**
Operating Income (loss)	**(625)**	**520**	**2,250**	**1,142**

[a] Water revenues are collected on behalf of the Province with Power rental revenue flowing directly to the Consolidated Revenue Fund (CRF). Effective 2003/04, LWBC will retain a portion of revenues to cover the cost of administering the Water Management Program. Water Power revenue numbers are net of BC Hydro, Alcan, Aquila, Teck Cominco and Columbia Power which continue to flow directly to the CRF.

[b] Land sales revenue projected for 05/06 is based on existing inventory. In order to optimize revenue generation, new investment will be required. We are currently developing innovative business approaches that will provide the tools necessary to build inventory and increase land sale revenue for 05/06.

[c] Transfer to Province is net of project development costs and net revenue earned by LWBC.

[d] In 2002/03, costs for the Water Management Program were recovered from the Ministry of Sustainable Resource Management.